Manitoba

Annual Report 1989

Manitoba Civil Service Superannuation Board

91-00893/

ADDRESS

Civil Service Superannuation Board
#308 - 131 Provencher Boulevard
Winnipeg, Manitoba
R2H 0G2

Our phone number is: (204) 233-8722
FAX: (204) 945-8181
Manitoba Toll Free Number: 1-800-432-5134

Manitoba

Minister of Labour

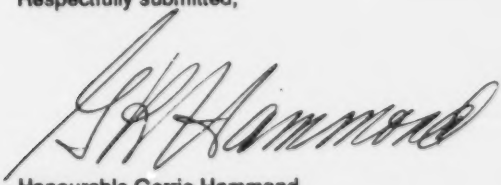
May 24, 1990

To The Honourable George Johnston
Lieutenant Governor of Manitoba

May It Please Your Honour:

As Minister responsible, I have the privilege of presenting for the information of Your Honour the 51st Annual Report of the Manitoba Civil Service Superannuation Board for the calendar year ended December 31, 1989.

Respectfully submitted,



Honourable Gerrie Hammond
Minister of Labour,
Minister Responsible for the Administration
of The Civil Service Superannuation Act

Manitoba

The Civil Service
Superannuation Board

May 24, 1990

Honourable Gerrie Hammond
Minister Responsible for the Administration
of The Civil Service Superannuation Act
Room 156 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Madam:

In conformity with the provisions of The Civil Service Superannuation Act, I am pleased to forward to you, the Minister Responsible for the Administration of The Civil Service Superannuation Act, the 51st Annual Report of the Manitoba Civil Service Superannuation Board.

This report covers the period January 1, 1989 to December 31, 1989 and includes a review of the Board's activities for that period as well as the Report of the Provincial Auditor and attached audited financial statements for that period.

Respectfully submitted,

R. E. Archer, Chairman
Civil Service Superannuation Board

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Introduction

This 51st Annual Report reviews and highlights the administrative and investment activities of the Civil Service Superannuation Board for the calendar year 1989.

The Civil Service Superannuation Board was established under subsection 5(1) of The Civil Service Superannuation Act (Act) in May, 1939.

The Board is comprised of four elected representatives of employees participating in the Fund and four employer representatives plus a chairperson who are appointed by the Government. The Board is responsible for the administration of the provisions of the Act in providing benefits for employees of the Province of Manitoba and its related Boards, Commissions, and Agencies who participate in the plan.

As Trustees of the Civil Service Superannuation Fund, the Board also has fiduciary responsibilities for ensuring that investments are made on the direction of the Investment Committee which is a sub-committee of the Board comprised of a Board member nominated by the elected employee representatives, the Deputy Minister of Finance, and a chairperson who is also the chairperson of the Board.

The Board is responsible for administering the Act which involves collecting superannuation contributions deducted from employees by participating employers, investing and monitoring investments, paying refunds on termination, negotiating reciprocal agreements to provide portability of pensions, transferring funds on marriage break-up, paying pensions on retirement, counselling employees (including spouses), providing informational and pre-retirement seminars, providing annual benefit statements, preparing brochures outlining the benefits, newsletter articles, financial statements and an annual report.

The Board operates within the guidelines, regulations and legislation contained in The Pension Benefits Act of Manitoba, which is an Act legislated to provide conformity and regulation of all pension plans administered in the Province of Manitoba.

In October, 1968, the Board began to administer the group insurance plans for all participating employers. The Public Servants Insurance Act provides group life insurance, accidental death and dismemberment insurance and dependents insurance for participating employees. The Board collects insurance contributions on behalf of Canada Life (the insurance carrier), pays the necessary premiums, pre-audits all insurance claims, prepares explanatory literature, provides informational counselling and invests the experience refunds which are held in a trust insurance fund. The Insurance Fund proceeds are used to subsidize post-retirement declining insurance benefits, provide continuing insurance while disabled, to stabilize the premium rate and may pay an insurance claim dividend when claims experience is more favourable than expected.

Since January 1, 1977, the Board has provided administrative and support services to the Municipal Employees Benefits Board. The Municipal Employees Benefits Board provides pension and group insurance benefits for approximately 2,403 employees of 269 municipal and quasi-municipal employers throughout Manitoba.

Civil Service Superannuation Board

Chairman
Mr. R. E. Archer
Executive Vice-President
Investments and Trusts
The Investors Group Inc.

Employee Representatives

Ms. S. Walker
Civil Service Representative

Mr. M. J. Painchaud
Manitoba Health Services Commission
Civil Service and Manitoba Health Services Commission Representative

Mr. H. Janzen
Manitoba Telephone System
Manitoba Telephone System Representative

Mr. V. L. Schentag
Manitoba Hydro
Manitoba Hydro and Small Boards Representative

Employer Representatives

Ms. C. A. Dutcheshen
Solicitor

Mr. W. R. Hooper
Retired

Dr. P. Lommerse
Medical Doctor

Ms. L. Piche
Homemaker

General Manager
Mr. W. Worosz

Director, Administrative Services
Mr. V. McLeod

Director, Financial and Computer Services
Mr. A. Borle

Director, Communication & Counselling Services
Mr. R. H. Covernton

Chief Investment Officer
Mr. L. Fuller

Consulting Actuary
Mr. J. A. Turnbull, F.S.A., F.C.I.A.

Board Meetings

During the year the Board held 9 meetings and each of the Board committees held several meetings.

Highlights of 1989

	1989	1988
	(thousands of dollars)	
Book Value of Investments	$926,731	$828,124
Investment Income	$ 90,147	$ 78,896
Yield on Investments	10.8%	10.5%
Employee Contributions	$ 52,327	$ 51,545
Employer Payments	$ 35,117	$ 31,421
Pension Payments, etc.	$ 69,055	$ 62,322
Refund of Contributions and Interest	$ 5,673	$ 5,683
General Expenses – Net	$ 1,196	$ 1,145
Participants in Fund	31,035	30,260
Pensioners and Other Recipients	7,475	7,023

Pension Benefits

During the year covered by this report, pensions and instalment refunds paid totalled $69,055,000, a net increase of $6,733,000 (10.8%) over 1988. There were 7,475 persons receiving pensions or contributions and interest in monthly instalments at December 31, 1989 as compared to 7,023 persons one year earlier. At December 31, 1989 there were:

1. 6,368 pensioners, 577 new retirements and 203 deaths for a net increase of 374 for the year;
2. 663 deceased pensioners' beneficiaries receiving pensions;
3. 438 spouses receiving the automatic pension payable to the spouse of an eligible employee who dies in service;
4. 6 employees' spouses receiving pensions because of marriage break-up.

Total pensioners include 74 disabled persons receiving disability pensions plus Long Term Disability (LTD) benefits from the employer. The superannuation disability pension is offset against the LTD benefit.

In addition, the Board processed pension payments for 223 pensioners and beneficiaries entitled to benefits under the former Manitoba Hydro Retirement Plan at year end. The Board is fully re-imbursed for these pensions and the administrative costs incurred. The Board also paid annuities to two recipients under the Money Purchase Accounts Plan as at December 31, 1989.

Of the 420 new male pensioners, 84 retired at age 65 or later, 297 retired before age 65 and 39, who were under age 60, were granted disability retirement. (For an employee who is age 60 or over, the pension for disability retirement is the same as for early retirement. The disabled employee who is over age 60 therefore applies for early retirement).

Of the 157 new female pensioners, 40 retired at age 65 or later, 107 retired before age 65, and 10 who were under age 60 were granted disability retirement.

New 1989 pensioners include 31 former employees with vested benefits who commenced receiving their pensions during the year.

Integration with the Old Age Security Pension was selected by 274 male pensioners (85%) and 92 female pensioners (82%) who retired before age 65.

Integration with the Canada Pension was selected by 117 male pensioners (63%) and 40 female pensioners (69%) who retired before age 60.

Employees retiring during 1989 elected the following pension options:

	Males	Females	Total
Pension reducing to one-half at pensioner's death	46	8	54
Pension reducing to two-thirds at pensioner's death	293	31	324
Ten-Year guaranteed pension	7	2	9
Lifetime Pension *	64	109	173
Other	10	7	17
Total	420	157	577

* **Note:** The majority of the retiring employees who elected the lifetime pension were either single or had small pensions due to short service.

The Pension Benefits Act requires that employees, who at the time of retirement have a spouse, must select a joint form of pension that at the death of the pensioner provides two-thirds of the pension to the spouse for life. This compulsory pension option may be waived if the emloyee's spouse completes a spousal waiver form.

There were also 56 employees who reached age 65 during 1989 and who continued to work into 1990. As at December 31, 1989, 145 employees were continuing to work past age 65 and contributing to the Superannuation Fund as follows:

Year of 65th Birthday	Number of Employees Working Past Age 65
1989	56
1988	30
1987	22
1986	16
1985	15
1984	6
Total	145

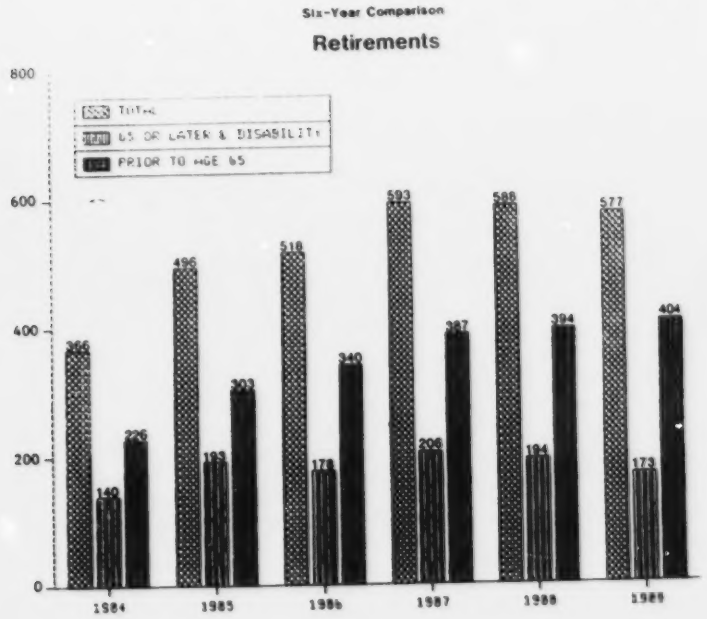
Cost-of-Living Adjustment in Pensions

Effective July 1, 1989, a cost-of-living adjustment was paid to eligible pensioners and to beneficiaries receiving pensions in respect of deceased pensioners who retired before July 1, 1988. The adjustment was limited to the extent that the amount in the separate Superannuation Indexing Adjustment Account was actuarially able to finance one-half of each increase. (See Exhibit D and Note 2(e) of the audited financial statements.)

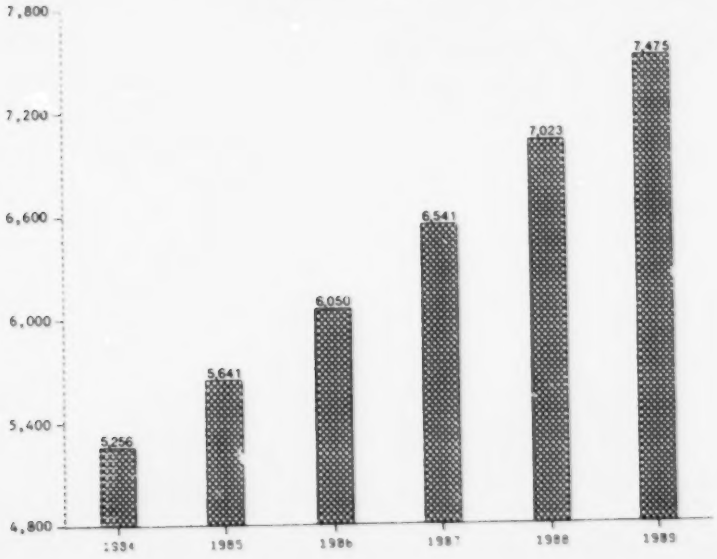
The Account receives 10.2% of the total annual required contributions made by employees to the Fund. This Account funds 50% of the annual cost-of-living adjustment payment, and non-matching employers are billed for 50% of the monthly payments. All of the funds in this account as at July, 1989, are required to meet the commitments for existing cost-of-living adjustments to be paid over the future life expectancy of current pensioners.

The pensioner payroll is increasing much more rapidly than the contributions to the Account. Consequently, the Account was only able to fund on average approximately 62% (1988 – 67%) of the rise in the consumer price index in the prior year.

The cost-of-living increase is related to service and the amount of pension received. The increase was equal to 38¢ (1988 – 41¢) a month for each year of pensionable service to a maximum of 35 years plus 1.24% (1988 – 1.39%) of the ordinary lifetime pension plus accumulated cost-of-living increases to date.

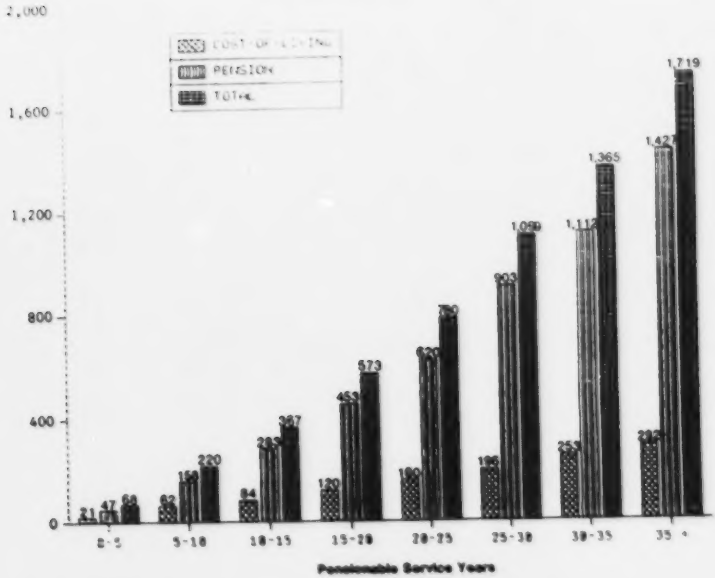


Pensioners/Recipients



Pension Amounts

Average Monthly Pension & C.O.L. ($)



Refunds

There were 1,272 employees who resigned and received refunds of contributions and interest amounting to $2,968,159. The estates of 18 employees who died received refunds of contributions and interest amounting to $114,562. These refunds are divided as follows:

	Employees	Contributions Refunded	Interest Refunded
Alcoholism Foundation of Manitoba	25	$ 38,219	$ 4,357
Civil Service Superannuation Board	3	2,667	195
Communities Economic Development Fund			
Housing Authorities	17	24,452	2,605
Human Resources Opportunity Centres	8	10,953	667
Legal Aid Services Society of Manitoba	3	5,791	414
Liquor Control Commission	16	26,660	2,763
Manitoba Agricultural Credit Corporation	6	13,207	1,649
Manitoba Beef Commission	5	10,845	2,124
Manitoba Centennial Centre Corp.	2	4,474	424
Manitoba Civil Service	793	1,657,411	234,047
Manitoba Crop Insurance Corp.	12	13,096	1,798
Manitoba Data Services	15	34,935	6,623
Manitoba Development Corporation	1	1,508	448
Manitoba Health Services Commission	16	22,246	2,523
Manitoba Energy Authority	2	11,186	2,147
Manitoba Horse Racing Commission	2	1,019	14
Manitoba Hydro-Electric Board	112	259,440	36,918
Manitoba Lotteries Foundation	4	12,795	2,463
Manitoba Milk Producers' Marketing Board	1	4,712	1,827
Manitoba Public Insurance Corp.	80	187,633	25,802
Manitoba Public Investments Corp.	2	10,186	760
Manitoba Research Council	9	21,841	2,647
Manitoba Telephone System	115	245,544	39,736
Teachers' Retirement Allowances Fund Board	2	3,696	715
Deferred Pension Accounts	18	48,565	11,508
Pending Reciprocal Agreements	14	10,693	2,062
Reciprocating Manitoba Accounts	7	9,296	2,415
Total	1,290*	$2,693,070	$389,651

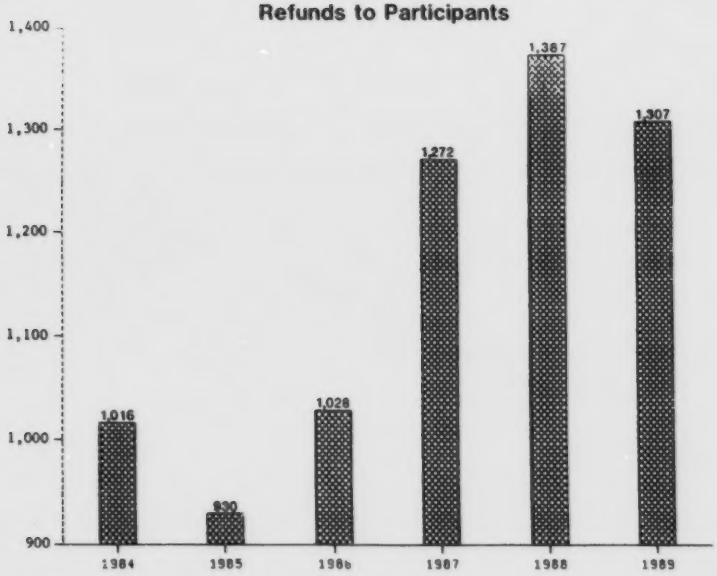
* Includes 249 terminated employees who chose a deferred pension as well as a refund or transfer of funds; excludes 35 transfers out under reciprocal agreement.

There were also other refunds or transfers totalling $2,590,409 processed during 1989 as follows:

1)	Excess Employee Contributions and Interest:	
(a)	At retirement	$ 85,591
(b)	On termination	1,701,485
(c)	On death	39,488
2)	Commuted Value – Fund's Share:	
(a)	Marriage breakdown	413,142
(b)	Post January 1, 1985 service	249,233
(c)	Employee death refunds	29,529
3)	Deceased pensioner refunds	71,941
		$2,590,409

Six-Year Comparison

Refunds to Participants



Reciprocal Agreements

Reciprocal agreements permitting the transfer of pension credits between the Civil Service Superannuation Board and the following pension plan authorities were in effect on December 31, 1989:

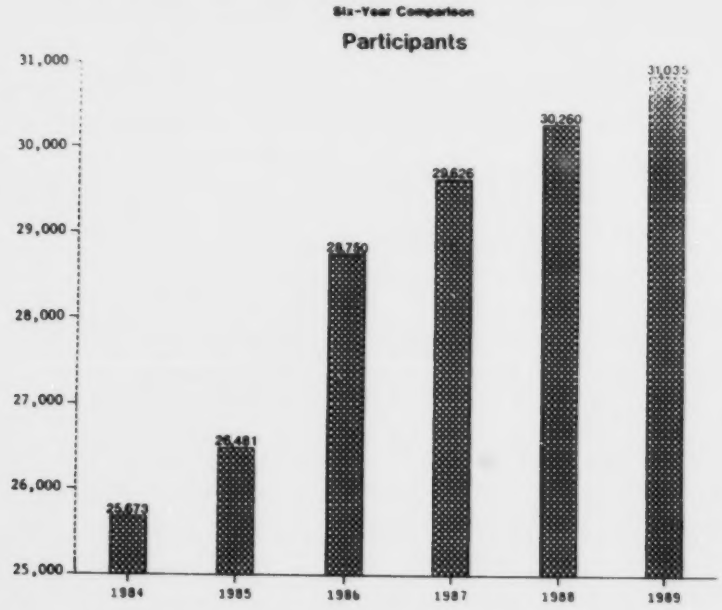
Government of Canada – Treasury Board
The Province of British Columbia – Superannuation Commissioner
The Province of Alberta – Public Service Pension Board
The Province of Alberta – Public Service Management Pension Board
The Province of Alberta – Local Authorities Pension Board
The Province of Saskatchewan – Public Service Superannuation Board (Old Plan)
The Province of Saskatchewan – The Public Employees Superannuation Plan Supervisory Board (Money Purchase Plan)
The Province of Ontario – Minister of Government Services
The Province of New Brunswick – Minister of Finance
The Province of Newfoundland – Minister of Finance
The Province of Nova Scotia – Minister of Finance
The Province of Prince Edward Island – Minister of Finance
Canadian Broadcasting Corporation
Canadian Interagency Forest Fire Centre
Canadian National Railway
Canada Mortgage and Housing Corporation
City of Regina
Crown Investments Corporation of Saskatchewan
The Council of Maritime Premiers
Hy-Line Credit Union
Ontario Hydro
Ontario Municipal Employees Retirement Board
(a) Ontario Municipalities
(b) Ontario Council of Regents for the Colleges of Applied Arts and Technology
Saskatchewan Government Insurance
Saskatchewan Power Corporation Superannuation Board
The Teachers' Superannuation Commission of the Province of Ontario

	Transfers to Manitoba		Transfers from Manitoba	
	Number	Fund's Share $	Number	Fund's Share $
Government of Canada	30	$364,290	20	$286,495
Provincial Public Service				
Alberta	2	11,962	2	31,594
British Columbia	1	5,594	–	
Ontario	–		4	69,610
Saskatchewan	3	91,205	5	57,920
Nova Scotia	–		1	37,248
CBC	1	40,378	1	11,729
OMERS	1	6,168	2	24,872
1989 Totals	38	$519,597	35	$519,468
1988 Totals	46	$993,708	29	$344,535

Participants

The number of participants in the pension plan increased by 775. The distribution of participants by employer as at December 31, 1989 was as follows:

	Males	Females	Total
Alcoholism Foundation of Manitoba	79	94	173
Civil Service Superannuation Board	14	18	32
Communities Economic Development Fund	6	8	14
Crown Corporations Council	1	2	3
Housing Authorities	147	108	255
Human Resources Opportunity Centres	31	39	70
Legal Aid Services Society of Manitoba	28	57	85
Liquor Control Commission	331	157	488
Local Government Districts	1	–	1
Manitoba Agricultural Credit Corp.	33	19	52
Manitoba Arts Council	2	11	13
Manitoba Beef Commission	2	2	4
Manitoba Centennial Centre Corp.	47	27	74
Manitoba Civil Service	8,952	7,451	16,403
Manitoba Crop Insurance Corp.	175	70	245
Manitoba Data Services	126	96	222
Manitoba Development Corp.	4	1	5
Manitoba Energy Authority	5	2	7
Manitoba Government Employees' Assoc.	22	18	40
Manitoba Health Services Commission	195	533	728
Manitoba Hog Producers' Marketing Board	14	12	26
Manitoba Horse Racing Commission	5	3	8
Manitoba Hydro-Electric Board	3,370	724	4,094
Manitoba Lotteries Foundation	68	39	107
Manitoba Milk Producers' Marketing Board	8	10	18
Manitoba Public Insurance Corp.	633	529	1,162
Manitoba Research Council	52	24	76
Manitoba Telephone System	2,756	2,461	5,217
Manitoba Turkey Producers' Marketing Board	2	4	6
Manitoba Water Services Board	11	–	11
Teachers' Retirement Allowances Fund Board	9	13	22
Universities Grants Commission	3	1	4
Deferred Pension Accounts	517	502	1,019
L.T.D. Pensioners	29	6	35
Manitoba Reciprocal Agreements	129	85	214
Pending Reciprocal Agreements	32	21	53
Pending Terminations	30	19	49
Total	17,869	13,166	31,035



Marriage Break-Up

Consistent with The Pension Benefits Act, The Civil Service Superannuation Act requires that when a marriage break-up occurs after December 31, 1983, and there has been an agreement to divide the family assets, 50% of the value of pension benefits earned during the period of marriage must be transferred to a locked-in pension account of the spouse. One-half of the amount transferred to the spouse is recovered from the employers who do not match employee contributions. The following table compares activity during 1988 and 1989.

Annual Marriage Break-up Statistics

	1989	1988
Opening in Process	159	112
New Applications	140	112
Transfers Completed	(75)	(56)
Completed (Not Transferred)	(15)	(9)
In Process at Year End	209	159
Total $ Transferred Out	**$826,286**	**$698,826**

Communication and Counselling Services

During 1989, the Civil Service Superannuation Board conducted 69 Information Seminars on Superannuation and Group Insurance benefits on the subjects of eligibility, entitlement to benefits, family protection, disability, death, etc., for employees of the government and its related boards, commissions, and agencies in major centres throughout Manitoba.

In addition, the Board conducted 26 one-day Pre-Retirement Planning Seminars which were attended by approximately 845 participants (employees and spouses) in major centres throughout the Province. Topics emphasized in the seminar content are benefit awareness and options concerning superannuation and group insurance for retirement. Topics also covered during the seminar are CPP, OASP, UIC, Blue Cross, estate planning as well as subjects related to retirement lifestyle planning such as the effective use of leisure hours, health, alternate lifestyles, etc. A pre-retirement information package including a Retirement Planning Guide prepared and printed by the Board staff is distributed to seminar participants and as part of the presentation, audio-visual aids are used along with a comprehensive film on the subject of retirement planning which reinforces the subjects covered in the seminar.

The Board also conducted 30 separate day-long one-on-one counselling sessions throughout the province in 1989 which involved meeting employees on an individual basis and providing personalized benefit information.

The staff of the Board will also conduct pre-retirement planning seminars and/or informational sessions on benefits for interested groups of participants throughout the Province.

In addition to providing seminars the Board has benefit counsellors available to meet in a private, confidential setting with participants and/or their families to discuss and explain benefits.

Employees were provided with their annual benefit statement with information on employee status, as well as current and projected benefit entitlement. Pensioners as well as employees also received a copy of the 50th Annual Report of the Civil Service Superannuation Board.

Investments

The Fund's total assets were approximately $946 million as at December 31, 1989, an increase of 12.1% over 1988. Investment income increased $11.3 million or 14.3%. The net yield on the total Fund for 1989 was 10.8% versus 10.5% in 1988.

The Fund directed $33 million net to mortgages at average yields of 11.2% plus $11.1 million to Guaranteed Investment Certificates at an average yield of 11.3% as an alternative to mortgages which are recorded with bonds and debentures for financial statement purposes.

The Fund allocated $53 million to its balanced fund managers, 70% of which is invested in equities.

Also $6.0 million was spent acquiring additional oil and gas investments.

The average yield on net bond purchases of $43.0 million in 1989 was 10.5%.

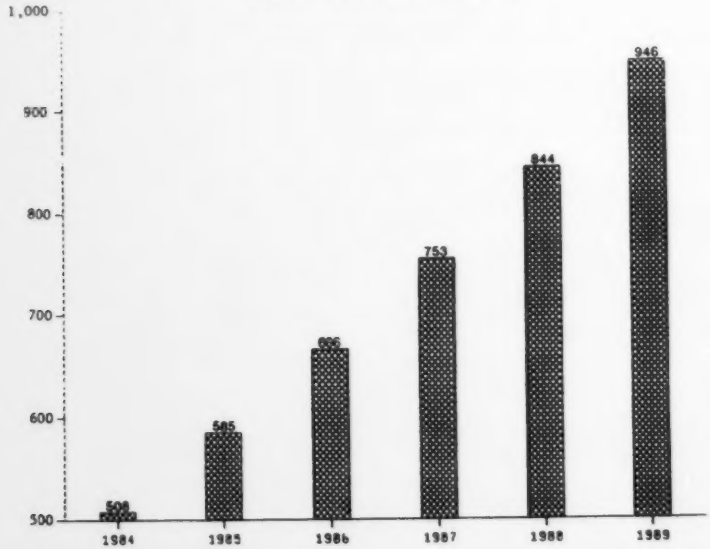
As at December 31, 1989, the Fund held $53.0 million in short-term paper, yielding an average of 12.1% versus $114.2 million yielding an average of 10.5% as at December 31, 1988.

The following comparative table illustrates the Fund's investment holdings:

	1989 (000's)	1988 (000's)	Increase (Decrease) (000's)
Bonds and Debentures			
Federal and Provincial	$119,392	$126,392	$(7,000)
City and Municipal	10,518	11,600	(1,082)
Corporate	275,395	210,999	64,396
Foreign	5,968	6,639	(671)
Fixed Income Component			
Balanced Funds	77,972	45,551	32,421
Sub-total	489,245	401,181	88,064
Mortgages			
NHA Mortgages	65,531	64,031	1,500
Uninsured Mortgages	82,801	59,879	22,922
Pooled Mortgage Funds	21,103	18,978	2,125
Indexed-Linked Mortgages	15,858	9,895	5,963
Sub-total	185,293	152,783	32,510
Equity Investments			
Common Stock	2,191	2,203	(12)
Equity Component			
Balanced Funds	102,566	81,544	21,022
Petroleum and Natural			
Gas Investments	25,170	19,228	5,942
Venture Capital			
Limited Partnerships	4,562	3,924	638
Real Estate	46,478	39,286	7,192
Sub-total	180,967	146,185	34,782
Short-term Certificates	52,969	114,212	(61,243)
Total	**$908,474**	**$814,361**	**$94,113**

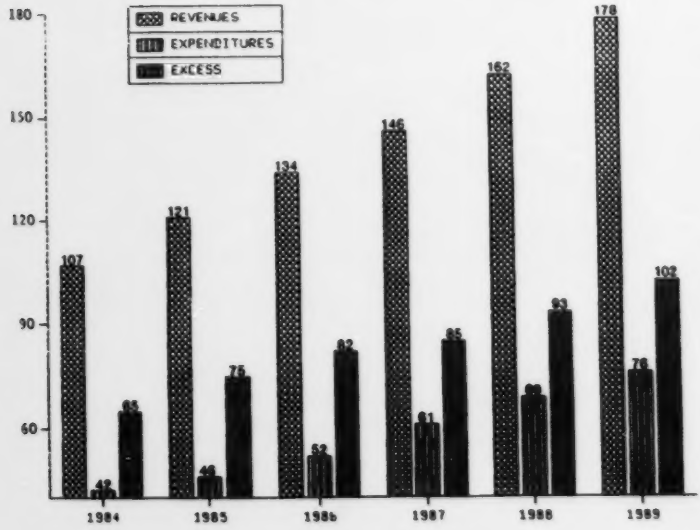
Six-Year Comparison

Fund ASSETS (millions $)



Six-Year Comparison

Revenues & Expenditures (millions $)



Changes in Status – Participants

For the year ended December 31, 1989

Males

Age Group	Entered	Withdrew	Died	Retired	Participants at Dec. 31, 1989
-19	18	1	–	–	20
20-24	254	57	2	–	719
25-29	322	149	4	–	2,046
30-34	180	109	2	–	2,520
35-39	140	90	1	–	3,137
40-44	104	74	3	1	3,069
45-49	52	51	8	6	2,298
50-54	35	25	3	6	1,935
55-59	23	7	11	169	1,359
60-	16	15	6	238	766
	1,144	578	40	420	17,869

Females

Age Group	Entered	Withdrew	Died	Retired	Participants at Dec. 31, 1989
-19	21	2	–	–	24
20-24	240	56	–	–	729
25-29	315	227	–	–	2,133
30-34	251	165	1	–	2,639
35-39	228	118	1	–	2,505
40-44	174	71	4	–	1,994
45-49	85	47	3	1	1,285
50-54	48	19	–	3	920
55-59	20	15	2	54	618
60-	5	9	–	99	319
	1,387	729	11	157	13,166
Totals	2,531	1,307*	51	577	31,035

* Includes 249 terminated employees who chose a deferred pension as well as a refund or transfer of funds and 35 transfers out under reciprocal agreement.

Changes in Status – Pensioners

For the year ended December 31, 1989

Males

Ages	Pensioners at Dec. 31, 1988	New Retirements	Deaths	Pensioners at Dec. 31, 1989
-59	488	182	8	548
60-64	907	136	16	955
65-69	1,213	88	28	1,252
70-74	832	14	37	867
75-79	440	–	28	489
80-84	208	–	25	226
85-89	67	–	13	77
90-	24	–	6	24
	4,179*	420	161	4,438

Females

Ages	Pensioners at Dec. 31, 1988	New Retirements	Deaths	Pensioners at Dec. 31, 1989
-59	188	58	4	205
60-64	339	52	1	345
65-69	454	44	4	499
70-74	370	3	5	382
75-79	265	–	4	289
80-84	122	–	8	132
85-89	56	–	11	57
90-	21	–	5	21
	1,815*	157	42	1,930
Totals	**5,994***	**577**	**203**	**6,368**

* Excludes individuals whose Long Term Disability benefits ceased during 1989.

Manitoba

The Civil Service Superannuation Fund

Report of the Provincial Auditor's Office

We have examined the financial statements, being Exhibits A to E and Schedules 1 to 4, of The Civil Service Superannuation Fund for the fiscal year ended December 31, 1989. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1989 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements on a basis consistent with that of the preceding year.

F. H. Jackson, CA
Provincial Auditor

February 28, 1990
Winnipeg, Manitoba

Exhibit A
The Civil Service Superannuation Fund

Balance Sheet

as at December 31, 1989

	1989	1988
	(thousands of dollars)	
ASSETS		
Cash	$ 620	$ 126
Employees' and employers' contributions and payments receivable	821	306
Investments, Schedule 1, Note 2(b)	926,731	828,124
Accrued investment income	14,294	12,449
Debt due from the Province of Manitoba, Note 2(c)	1,826	1,826
Accumulated unrealized foreign exchange, Note 6	1,457	1,386
Furniture, computer equipment and programs, Note 2(d)	427	158
	$946,176	$844,375
LIABILITIES		
Accounts payable	$ 290	$ 122
Money purchase accounts plan, Exhibit E, Note 5	1,205	651
Provision for investment losses, Exhibit C, Note 2(b)(v)	940	1,241
Superannuation indexing adjustment account, Exhibit D, Note 2(e)	51,853	47,499
Reserve for present and future benefits, Exhibit B	891,888	794,862
	$946,176	$844,375

Exhibit B
The Civil Service Superannuation Fund

Statement of Changes in the Reserve for Present and Future Benefits

for the year ended December 31, 1989

	1989	1988
	(thousands of dollars)	
Additions:		
Employers' and employees' payments and contributions, Schedule 2	$ 87,444	$ 82,966
Investment income, net, Schedule 3	90,147	78,896
Interest on debt due from the Province of Manitoba, Note 2(c)	73	73
Bank and other interest	160	103
Total additions	177,824	162,038
Deductions:		
Superannuation and supplementary allowances	69,055	62,322
Refunds of contributions and interest	5,673	5,683
Payments of employee contributions to other pension plans	520	344
Administrative expenses, net, Schedule 4	1,196	1,145
	76,444	69,494
Transfer:		
Net transfer to superannuation indexing adjustment account, Exhibit D	4,354	4,313
Total deductions	80,798	73,807
Net increase for the year	97,026	88,231
Balance at beginning of year	794,862	706,631
Balance at end of year, Exhibit A	$891,888	$794,862

Exhibit C
The Civil Service Superannuation Fund

Statement of Changes in the Provision for Investment Losses

For the year ended December 31, 1989

	1989	1988
	(thousands of dollars)	
Addition:		
Transfer from investment income, Schedule 3	$ 927	$ 828
Deduction:		
Net write-down of permanently impaired investments	1,228	1,022
Net (decrease) for the year	(301)	(194)
Balance at beginning of year	1,241	1,435
Balance at end of year, Exhibit A	$ 940	$ 1,241

Exhibit D
The Civil Service Superannuation Fund

Statement of Changes in the Superannuation Indexing Adjustment Account

for the year ended December 31, 1989

	1989	1988
	(thousands of dollars)	
Additions:		
Allocation of 10.2% of employees' and matching employer's contributions	$ 5,265	$ 5,139
Interest	5,647	5,202
Total additions	10,912	10,341
Deductions:		
Charge for one-half of all superannuation adjustments	6,558	6,028
Total deductions	6,558	6,028
Net transfer from reserve for present and future benefits, Exhibit B	4,354	4,313
Balance at beginning of year	47,499	43,186
Balance at end of year, Exhibit A	$ 51,853	$ 47,499

Exhibit E
The Civil Service Superannuation Fund

Statement of Money Purchase Accounts Plan

for the year ended December 31, 1989

	1989	1988
	(thousands of dollars)	
Additions:		
Deposits	$ 586	$ 324
Interest income	103	41
	689	365
Deductions:		
Refund of deposits	118	67
Transfer to Civil Service Superannuation Fund re annuity, Schedule 2	13	—
Administration fees charged by Civil Service Superannuation Fund	4	3
	135	70
Increase for the year	554	295
Balance at beginning of year	651	356
Balance at end of year, Exhibit A, Note 5	$ 1,205	$ 651

Schedule 1
The Civil Service Superannuation Fund

Summary of Investments

as at December 31, 1989

	1989		1988
	Par Value	Book Value	Book Value
	(Thousands of Dollars)		
Fixed income investments, Note 2 (b)(i)			
Short term investments	$ 52,969	$ 52,969	$114,212
Bonds and debentures			
Government of Canada	36,675	39,779	37,701
Province of Manitoba	25,083	24,997	24,974
Province of New Brunswick	6,500	7,412	7,473
Province of Newfoundland	1,700	1,700	2,000
Province of Nova Scotia	5,000	4,947	2,975
Province of Ontario	31,820	31,857	44,269
Province of Saskatchewan	4,000	4,000	4,000
Government of Northwest Territories	4,700	4,700	3,000
Hospitals	3,436	3,437	3,695
Municipal Corporations	7,107	7,081	7,905
Corporations	280,810	281,363	217,638
	406,831	411,273	355,630
Fixed Income Component Balanced Funds (includes short term)		$77,972	45,551
		489,245	401,181
Mortgages			
Insured, National Housing Act (Canada)	71,027	65,531	64,031
Index-Linked	15,858	15,858	9,895
Uninsured	82,858	82,801	59,879
	169,743	164,190	133,805
Pooled mortgage funds		21,103	18,978
		185,293	152,783
Unamortized (gains) losses on disposition		(654)	768
Total fixed income investments at amortized cost		726,853	668,944
Equity investments, Note 2(b)(iii)			
Common stock		2,191	2,203
Equity Component Balanced Funds		102,566	81,544
Petroleum and natural gas investments		25,170	19,228
Investment in subsidiary, Notes 2(b)(ii) and 4		—	—
Venture capital, limited partnerships		4,562	3,924
Real estate, Note 2(b)(iv)			
Participating bonds		26,325	24,696
Qualifying shares		2,064	2,064
Units of pooled real estate		18,033	12,496
Pooled Common Stock		56	30
Accumulated unrealized appraisal adjustments		20,459	17,471
Unamortized losses (gains) on disposition		(1,548)	(4,476)
Total equity investments		199,878	159,180
Total Investments, Exhibit A		$926,731	$828,124

Schedule 2
The Civil Service Superannuation Fund

Statement of Payments and Contributions

for the year ended December 31, 1989

	1989			1988
	Employer	Employee	Total	Total
	(Thousands of Dollars)			
Province of Manitoba Civil Service	$16,683	$27,705	$44,388	$42,593
Manitoba Telephone System	8,033	8,798	16,831	15,548
Manitoba Hydro-Electric Board	7,149	7,822	14,971	13,750
Liquor Control Commission	1,159	677	1,836	1,783
Manitoba Health Services Commission	574	1,167	1,741	1,670
Manitoba Public Insurance Corporation	233	1,945	2,178	1,989
Alcoholism Foundation of Manitoba	74	329	403	362
Civil Service Superannuation Board	—	52	52	50
Communities Economic Development Fund	20	30	50	41
Housing Authorities	291*	291	582	544
Human Resources Opportunity Centres	110*	110	220	217
Local Government Districts	3*	3	6	6
Manitoba Agricultural Credit Corporation	74	110	184	182
Manitoba Arts Council	12*	12	24	—
Manitoba Beef Commission	17*	19	36	51
Manitoba Centennial Centre Corporation	75	89	164	151
Manitoba Crop Insurance Corporation	88	207	295	264
Manitoba Data Services	19	485	504	487
Manitoba Development Corporation	20	15	35	39
Manitoba Energy Authority	—	33	33	35
Manitoba Government Employees' Association	99*	99	198	159
Manitoba Hog Producers' Marketing Board	45*	45	90	51
Manitoba Horse Racing Commission	—	17	17	16
Manitoba Lotteries Foundation	3	200	203	196
Manitoba Milk Producers Marketing Board	37*	37	74	77
Manitoba Research Council	172*	172	344	343

Schedule 2 continued
The Civil Service Superannuation Fund

Statement of Payments and Contributions

for the year ended December 31, 1989

	1989			1988
	Employer	Employee	Total	Total
	(Thousands of Dollars)			
Manitoba Turkey Producers' Marketing Board	10*	10	20	17
Manitoba Water Services Board	12*	12	24	34
Public Investments Corporation of Manitoba	—	2	2	26
Teachers' Retirement Allowances Fund Board	21	37	58	41
The Legal Aid Services Society of Manitoba	—	192	192	161
Universities Grants Commission	7	12	19	18
Workers Compensation Board	36	—	36	35
Employees on loan	29	29	58	60
Employees on Workers Compensation	1	5	6	2
Long Term Disability	2	9	11	8
Receipts from other pension plans re: transfer of employee benefits under reciprocal agreements	—	520	520	994
Repayment of contributions previously refunded	—	56	56	92
Payments based on prior non-pensionable employment	9	959	968	869
Payments based on war service	—	2	2	5
Transfer from Money Purchase Plan, Exhibit E	—	13	13	—
Total payments and contributions, Exhibit B	$35,117	$52,327	$87,444	$82,966

*Employers' contributions based on employees' remuneration

Schedule 3
The Civil Service Superannuation Fund

Statement of Investment Income

for the year ended December 31, 1989

	1989	1988
	(Thousands of Dollars)	
Fixed income:		
Interest	$ 77,288	$ 68,087
Foreign exchange, Note 6	(364)	(347)
Amortization of discounts (premiums) net, Note 2(b)(i)	369	278
Amortization of realized gains, Note 2(b)(i)	739	544
Transfer to provision for investment losses, Exhibit C, Note 2(b)(v)	(927)	(828)
	77,105	67,734
Equity income:		
Net income of the subsidiary, Note 4	—	(175)
Real estate dividends and interest, Note 2(b)(iv)	3,874	3,432
Other dividends and interest	4,029	4,447
Unrealized appraisal adjustments, Note 2(b)(iii)	6,251	2,985
Amortization of realized gains, Note 2(b)(iii)	(144)	1,177
	14,010	11,866
Gross investment income	91,115	79,600
Less, investment related expenses, Note 7	(968)	(704)
Total net investment income, Exhibit B	$ 90,147	$ 78,896

Schedule 4
The Civil Service Superannuation Fund

Statement of Administrative Expenses, Net

for the year ended December 31, 1989

	1989	1988
	(Thousands of Dollars)	
Salaries and fringe benefits	$ 1,078	$ 1,006
Bank Charges	21	18
Computer related costs	68	66
Furniture/fixtures/rental/servicing	12	25
Medical examinations	11	11
Miscellaneous	41	34
Printing and stationery	71	65
Professional fees	82	85
Relocation Costs	—	43
Seminars and travelling	17	15
Telephone, postage and delivery	70	59
	1,471	1,427
Less:		
Operating recoveries for the administration of:		
Long Term Disability	(7)	(20)
Manitoba Hydro Retirement Plan	(1)	(4)
Money Purchase Accounts Plan, Note 5	(4)	(4)
Municipal Employees Benefits Board	(58)	(53)
Public Service Group Insurance Fund	(88)	(88)
Investment administrative expenses, Note 7	(117)	(113)
	(275)	(282)
Total administrative expenses, net, Exhibit B	$ 1,196	$ 1,145

Notes to the Financial Statements

for the year ended December 31, 1989

1. **Nature of the Organization:**

The Civil Service Superannuation Board was established under The Civil Service Superannuation Act in May, 1939 and is responsible for administering the Act.

The Civil Service Superannuation Fund is the pension plan for employees of the Government of Manitoba and its agencies as listed in Schedule 2. Administering the Act involves collecting superannuation contributions, investing contributions and excess revenue, monitoring investments, paying refunds on termination, negotiating reciprocal agreements, paying pensions on retirement, counselling, and providing seminars, annual benefit statements, and brochures to members of the plan. In addition, the Fund collects from the non-matching employers 50% of the monthly pension, including indexing adjustments, paid in respect of retired employees or surviving beneficiaries, and 50% of any vested amounts transferred out of the Fund on behalf of employees.

2. **Significant Accounting Policies:**

The significant accounting policies are summarized below:

(a) The Fund follows the accrual basis of accounting except for refunds of employees' contributions which are reflected on the cash basis.

(b) The investment valuation and income measurement policies consist of:

(i) Fixed income investments:

Premiums and discounts of one percent or less of par value are reflected in income in the year of investment acquisition. All other premiums and discounts are amortized to income on a straight line basis over the term of the investment commencing with the year of acquisition.

Zero coupon bonds are valued at the date of purchase and at the end of the year based on the purchase yield and the remaining term to maturity. The difference in the value of the bond from the date of purchase or the previous year end to the current year end will be charged or credited to income in the current year.

The majority of the Fund's fixed income investment portfolio is held for the long term and a part of the portfolio is traded actively. For long term holdings, the gains or losses on disposition, before maturity, are amortized to income on a straight line basis over the remaining term of the investment to a maximum of 20 years. The unamortized balances remain as part of the book value of the total investments. For those which are traded actively, the accounting is segregated and one-fifth of the realized gains or losses is reflected in income in the year of disposition. The remaining four-fifths is reflected in the value of investment assets and amortized to income in equal amounts over the next four years.

(ii) Investment in subsidiary:

The investment in the wholly-owned subsidiary Superannuation Resource Investment Corporation of Manitoba Inc. is accounted for on the equity method. The subsidiary is currently inactively.

Notes to the Financial Statements

for the year ended December 31, 1989

(iii) Equity investments:

Equity investments are recorded at the lower cost or net realizable value.

Petroleum and natural gas, and limited partnership investments have restrictions on their disposition.

One-fifth of the difference between the adjusted book value and the established market value of equity investments as at the end of the fiscal year is reflected in income and the offset reflected as an unrealized appraisal adjustment.

One-fifth of any realized gains or losses is reflected in income in the year of disposition. The remaining four-fifths is reflected in the value of the investment assets and amortized to income in equal amounts over the next four years. Realized gains or losses are adjusted by the amount of unrealized appraisal adjustments recorded in the investment income in previous years.

(iv) Real estate equity investments:

Income from real estate equity investments, evidenced by participating bonds, represents the Fund's proportionate share of the net cash flow generated by the underlying properties with no allowance having been made for depreciation. In the event the income from a property is insufficient to pay the cost of its operations, the Fund is liable to make additional payments, without limitation in amount, equal to its share of such a deficiency.

Pooled real estate investments are recorded at cost plus the proportionate share of earnings reported by the property manager.

(v) Provision for investment losses:
Effective January 1, 1984, 1/10 of 1% of the book value of the investment assets is transferred annually to the provision for investment losses from investment income. The provision should not exceed 1% of the book vlaue of investment assets.

Impairment in the value of investments, considered to be permanent by the Investment Committee, is charged to the provision for investment losses. Subsequent recoveries are applied to the provision.

(vi) Foreign currency translation:

Assets recorded in foreign currency are translated into Canadian currency at the prevailing year end rate of exchange, while revenues and related transaction charges recorded during the year are translated at the existing month and prevailing rate of exchange. Foreign exchange on the purchase and sale of foreign currency is translated at the prevailing rate on date of transaction.

The translation adjustments required for these transactions are recorded in the accumulated unrealized foreign exchange account. One-fifth of the accumulated unrealized foreign exchange account is reflected in income for the year.

(c) Debt due from the Province of Manitoba:

The Province of Manitoba assumed an accrued liability of $1,826,300 on account of its employees and pen-

Notes to the Financial Statements

for the year ended December 31, 1989

sioners as at May 1, 1939. The Province pays half-yearly interest on March 31st and September 30th at 4% per annum and may pay all or part of the debt at its option. In accordance with Section 24(1) of the Act, the aforementioned has been recorded as debt due from the Province.

(d) Furniture, computer equipment and programs:

Furniture purchases are charged to operations in the year of acquisition.

Computer equipment and programs are capitalized and amortized on a straight line basis over six years.

	1989		1988	
	(Thousands of Dollars)			
Computer Equipment	$584		$275	
Less Amortization	(172)	$422	(126)	$149
Computer programs	156		156	
Less Amortization	(151)	5	(147)	9
Balance, end of year		$427		$158

(e) Superannuation indexing adjustment account:

In accordance with amendments to the Act, effective July 1, 1977, a program of controlled indexing was implemented whereby 10.2% of employees' and employers' annual contributions are allocated to a superannuation indexing adjustment account. Interest is allocated to the account on a basis related to the yield earned by the Fund on its mortgages, bonds and debentures. The account is intended to fund 50% of the cost-of-living adjustment payments made to pensioners and beneficiaries. The non-matching employers are billed for the remaining 50% of the cost-of-living adjustments paid to their retired employees or their survivors.

Effective July 1 of each year, cost-of-living superannuation adjustment payments are calculated in accordance with the formula set out in the Civil Service Superannuation Act, section 33(7). The formula is based on the Consumer Price Index increase in the previous calendar year and the increase in the calculated benefit index. Section 33(8) requires the calculated adjustment to be reduced if, in the opinion of the actuary, the adjustment would result in an unfunded liability in the superannuation indexing adjustment account as at December 31 of the preceding year. In 1989 the actuary recommended that only 62% (1988 – 66.7%) of the calculated adjustment be paid.

The annual actuarial valuation of the superannuation indexing adjustment account as at December 31, 1988 revealed that $5,076,098 (1987 – $5,043,430) was available to actuarially finance additional cost-of-living increases for pensioners. Effective July 1, 1989, the Board approved and paid the actuarially calculated superannuation adjustment for 1989 in accordance with the formula set out in the Act, equal to:

(i) 1.24% (1988 – 1.39%) of the total lifetime pension plus any previously granted adjustments in that allowance, and

(ii) 38¢ (1988 – 41¢) per month for each year of service, to a maximum of 35 years,

for those employees who retired before January 1, 1988. Employees who retired after that date, but before July 1, 1988, were paid a prorata portion of the adjustment. Beneficiaries of deceased pensioners receive two-thirds of the adjustment that the pensioner would have

Notes to the Financial Statements

for the year ended December 31, 1989

been eligible for. The present value of the July 1, 1989 adjustment has been actuarially calculated to be equal to $5,076,098, leaving no surplus or deficit balance outstanding at year end.

(f) Actuarial valuations:

(i) The financial statements do not take into account actuarial valuations and, therefore, do not reflect the financial position of the Fund on an actuarial basis. In accordance with the Act, an actuarial valuation and report is required every three years The most recent actuarial report on The Civil Service Superannuation Fund, as at December 31, 1986, disclosed a surplus of $31,788,810.

(ii) The Board has a legislative requirement to pay as an annual administrative expense, one-half of the pension benefits paid by the Fund on behalf of its retired employees. On the basis of an actuarial report, the unfunded provision for the Board's employees as at December 31, 1989 is estimated to be $1,014,173 (1988 – $875,904).

3. Amendment to the Civil Service Superannuation Act in 1986:

The Fund was authorized to credit the Government of Manitoba and its agencies $83,853 per month from September 1, 1986 to August 31, 1989, amounting to $3,018,708 for the three year period, to reduce the employers' costs of the pension formula improvement made in 1986. The balance outstanding as at December 31, 1988 of $670,824 was paid.

4. Investment in Subsidiary:

The Superannuation Resource Investment Corporation of Manitoba Inc. (S.R.I.C.), a wholly-owned subsidiary of the Fund, was incorporated as a pension fund resource corporation under The Corporation Act of Manitoba on May 30, 1983 for the purpose of participating in oil and gas resource development projects on behalf of the Fund.

The subsidiary ceased its joint venture oil and gas resource project investment activity on April 13, 1988 and transferred its assets, including all investments, to the Fund in the exchange for a promissory note of $3,793,825. The investment in S.R.I.C. has been reduced by setting off $3,793,825 shareholder's advance against the promissory note, a repayment $1,169,198 in cash and a write down of $1,021,991 reflecting the decline in recorded value of joint venture oil and gas investments.

The Fund's investment in S.R.I.C. is $1.00 at December 31, 1989. Subsequent recoveries or expenses are charged to the Provision for investment Losses.

5. Money Purchase Accounts Plan:

Manitoba Regulation 77/85 under the Civil Service Superannuation Act established a Money Purchase Accounts Plan effective January 2, 1985. Under this regulation, eligible individuals may transfer to the Plan an amount from either the Fund or pension plan of a prior employer, to provide for an annuity or other settlement in the future. The Plan is administered and accounted for separately by the Board for which the Board charges the Plan with an administration fee. The accumulated value of a participant's account, upon election of an annuity under the Plan, will be transferred to an annuity reserve as part of the reserve for present and future benefits of the Fund.

Notes to the Financial Statements

for the year ended December 31, 1989

6. Accumulated Unrealized Foreign Exchange:
An analysis of gains or (losses) in the accumulated unrealized foreign exchange account is shown below:

	1989 (Thousands of Dollars)	1988 (Thousands of Dollars)
Balance, beginning of year	$1,386	$ 168
Foreign exchange on purchase and sale of foreign currency	(551)	—
Translation of transactions	217	174
Net translation – investment assets	769	1,391
	1,821	1,733
Transfer to income	(364)	(347)
Balance, end of year	$1,457	$1,386

7. Investment Related Expenses:
Investment related expenses are summarized below:

	1989 (Thousands of Dollars)	1988 (Thousands of Dollars)
Direct	$ 851	$ 591
Administrative	117	113
	$ 968	$ 704

The Board approves the allocation of identifiable costs as Direct expenses. Where direct allocation is not practical, expenses are allocated on a prorated basis as administrative expenses.

8. Commitments:
Outstanding investment commitments at December 31, 1989 are $27,718,996 (1988 – $19,862,538).

9. Comparative Figures:
Comparative figures for the year ended December 31, 1988 have been restated to conform with this year's presentation.